
TABLE OF CONTENTS

Why study ‘ecosystem facilitation’?	1
The key actors in an inclusive market ecosystem	3
The public sector champion	4
The advocate	5
The convenor	5
The outcomes facilitator	5
The intermediary	6
The knowledge producer and disseminator	6
Private sector firms	7
Labour	7
How the players come together – a toolkit for ecosystem facilitation	7
Identify the zone of opportunity	8
Convene the stakeholders	9
Assemble a sector-specific credible team	9
Develop or establish the intermediary	10
Execute and iterate to build momentum	11
Learning for ecosystem facilitation in other sectors or markets	12
Global business services case study	14
Act 1: 1996 - 2009	14
Act 2: 2010-2015	16
Act 3: 2016-2020	20
Conclusion	24

Genesis Analytics (Pty) Ltd

Physical: Office 3, 50 Sixth Road Hyde Park, 2196, Johannesburg, South Africa

Postal Address: PO Box 413431, Craighall, 2024, Johannesburg, South Africa

Tel: +27 (0)11 994 7000

Fax: +27 (0)11 994 7099

www.genesis-analytics.com

WHY STUDY ‘ECOSYSTEM FACILITATION’?

Tapping into sources of foreign demand has been critical to the economic success stories of developing countries worldwide over the past fifty years. This practice of linking the domestic labour force to sources of global demand, which are many times larger than the domestic economy, has traditionally been used for physical products. The export of natural resources, food and, above all, manufactured products has drawn a large number of workers into the production of these goods, resulting in a massive growth in employment and a significant reduction in poverty.

In recent years, however, employment opportunities resulting from the export of goods have been dwindling as production is being automated and value chains re-shored to more developed markets. Fortunately, this is being offset by a global explosion in the trade of digitised services. While these services are delivered digitally, they are provided by real people living in countries like South Africa. Referred to as globally traded services (GTS), they encompass both global business services (GBS) and business process outsourcing (BPO).

GBS and BPO are similar terms that refer to business solutions provided to companies that are global, outsourced, and focused on strengthening both front-office and back-office business processes to improve operational efficiency. These solutions are used in contact centres, finance, accounting, legal support, research, HR outsourcing, analytics, coding, data services, ICT services, and new forms of GBS like virtual tutoring or long-distance care. They also span many industry domains, such as financial services, retail, hospitality, tourism, energy, ICT, and education. They are delivered by either third-party outsourced providers or directly within an organisation by “captive” providers.

There are already 250,000 South Africans working in the GBS sector, more than double the number employed in the automotive sector. Of these, 64,000 service offshore demand for GBS. Jobs in this sector have been growing at an unprecedented 24% annually since 2015, with the most recent statistics showing 35% job growth for 2019. This has been coupled with significant infrastructure investment and SMME growth throughout the value chain.¹ **Further, young people aged between 18 and 35 years made up 87% of new GBS hires in 2019, with 64% of youth recruits being women.**² All of these are meaningful jobs that provide real opportunities for career progression, and the skills they require are highly transferrable to other sectors of the economy. **An additional 500,000 jobs could be created by 2030 if a national programme of support commensurate with the size of the opportunity were to be implemented and sustained.**³

To put this into context, South Africa’s unemployment rate reached a peak in 2019, being the highest since StatsSA started recording unemployment using the Quarterly Labour Force Survey in 2008.⁴ Notably, the country has the highest rate of unemployment among people aged 15 to 34 in the world, reaching 39.6% in 2019.⁵ This situation may well get worse as the economy reels from the impact of the COVID-19 pandemic and the resulting global economic slowdown. Now, more than ever, a sector that is positively contributing to job creation and scaling jobs for youth, in particular, is incredibly valuable.

Why has the GBS sector achieved such spectacular results? It is, after all, a globally competitive sector with highly cost-sensitive clients and intense competition among industry giants in countries such as India and the Philippines. The employment gains in the sector have certainly not been automatic.

¹ Data provided by Knowledge Executive/Genesis Global Business Services.

² BPeSA, 2019, Quarter Four: October – December 2019, *GBS Sector Report*

³ Genesis Analytics, 2020, Pathways to Digital Work, *South Africa in the Digital Age Strategy Primer*

⁴ StatsSA, 2019, *Unemployment rises slightly in third quarter of 2019*, available at: <http://www.statssa.gov.za/?p=12689>

⁵ StatsSA, 2019, *Youth graduate unemployment rate increases in Q1: 2019*, available at: <http://www.statssa.gov.za/?p=12121>

South Africa does have some advantages, including a favourable time zone, good English-speaking talent, a fully functional government incentive scheme, and an exchange rate that is highly favourable for the major buying markets of the USA, UK and Australia. But do these advantages alone account for the sector's success?

Our answer is a resounding no! In our view, the magic component that has brought together all of these advantages and made them work together successfully has been the largely unknown art of *ecosystem facilitation*.

The term ecosystem facilitation is derived from the science of ecology, where it refers to the interactions between species that benefit at least one of the participants and harm none. An example of this is the way bees pollinate flowers, which can then reproduce and bloom in greater numbers. This, in turn, allows for more butterflies to thrive, providing more food for sparrows to eat. As the cycle closes, the bees are also able to make more honey as they have access to more flowers. It is this coordination for mutual benefit that grows the ecosystem.

When applied to market systems rather than ecosystems, however, this coordination does not happen automatically, as it does in nature. Stakeholders need to be convened, common objectives need to be identified and ascribed to, and action among participants needs to be coordinated, monitored, and evaluated. In other words, market ecosystems need to be *facilitated*.

Governments, development agencies and industry associations all aim to do this, but few are successful. There is no shortage of strategic plans in both the public and private sectors, but a lack of facilitation and poor execution means that these plans are often not properly implemented. Ecosystem facilitation is not about making strategic plans. It is about identifying where there is a latent economic opportunity featuring both solvable problems and a set of stakeholders with common interests, and then about the messy work of getting those stakeholders to see the bigger picture and to implement a joint action plan to solve their common problems.

In the GBS sector, this ecosystem facilitation role has been fulfilled by the Harambee Youth Employment Accelerator. Harambee is a social enterprise that was incubated by the private sector and government. Its private sector founder, Yellowwoods, is an investment holding company with businesses in a number of sectors in South Africa and elsewhere. Harambee provides solutions that match the skills requirements of employers in South Africa with the enormous potential of young, unemployed South Africans. It does this by using a data-driven model that supports young people in order to enable them to take up jobs in the economy. More broadly, Harambee helps to address blockages to youth employment in South Africa.

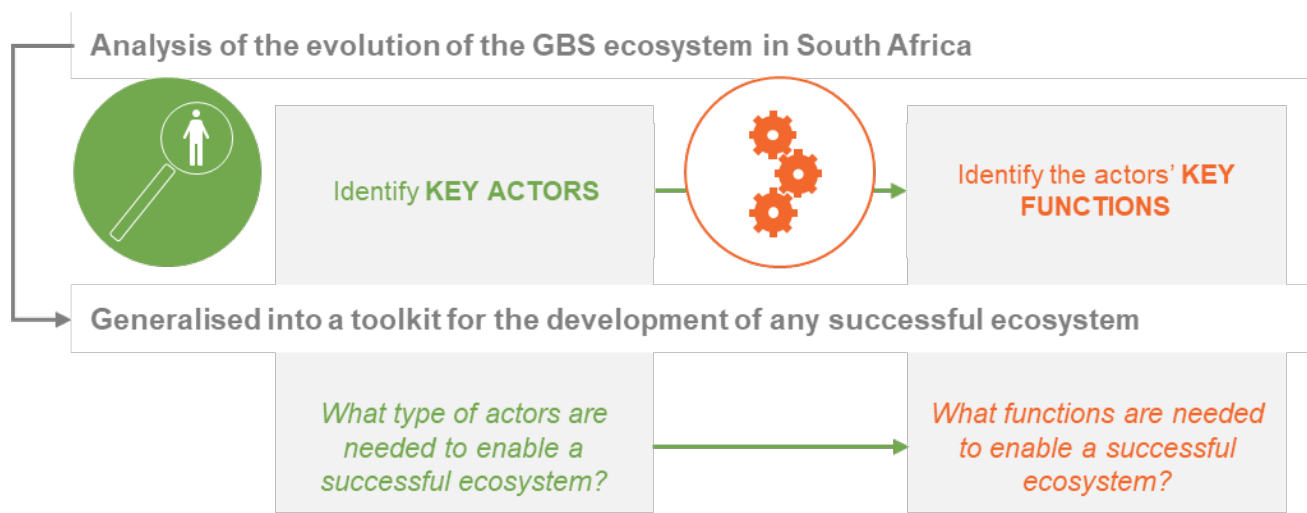
Harambee's activities in supporting young people may on the surface look like they address 'supply-side' challenges – however, Harambee's model since its founding has been 'demand driven'. This initially took the form of supporting individual companies in their entry-level hiring needs. More recently, it has taken the form of an intermediary role in the global business services sector through an approach to *demand creation*. Harambee and its partners have been working to convene and collaborate with demand-side stakeholders and others on creating new jobs, increasing inclusive hiring practices, and strengthening the role of the demand-led intermediary in the form of the sector's industry association.

Harambee's contribution to the development of the global business services sector in South Africa is a powerful and instructive story of inclusive growth and youth job creation. It is a story from which lessons can be learned, and essential elements distilled, for replicability to other sectors and ecosystems with unrealised potential for inclusive growth.

This document provides a toolkit for replicating this success in other sectors or markets by modelling Harambee's approach to ecosystem facilitation and detailing a case study of this approach in the global business services sector.

THE KEY ACTORS IN AN INCLUSIVE MARKET ECOSYSTEM

The evolution of the global business services (GBS) ecosystem in South Africa was analysed to provide an indicative baseline of which actors need to be involved, and the key functions of these actors, in an inclusive market ecosystem. By stripping away the specific actors in the GBS ecosystem, we are left with a view of which functions are needed, and the prioritisation of these functions, in any sector or market in the formal economy with latent potential for inclusive growth. While the actors may be different, this guides an ecosystem facilitator on which types of actors to look out for and work with in providing these inclusive ecosystem functions.



There are **seven sets of actors that were central to the evolution of an inclusive ecosystem in the GBS sector** in South Africa. These are:

- The South African National, Provincial and Local governments - primarily through the Department of Trade, Industry & Competition (dtic) and InvestSA
- Yellowwoods
- Harambee Youth Employment Accelerator
- Business Process Enabling South Africa (BPesa)
- BPO operators and other companies in the value chain
- The labour market
- Research and strategy firms such as Knowledge Executive, the Everest Group, and Genesis Analytics.

The **roles of these actors can be generalised into eight actor types**: The public sector champion, advocate, convenor, outcomes facilitator, intermediary, private sector firms, labour and knowledge producers and disseminators. The **functions that these actors fulfilled in the facilitation of the GBS ecosystem can be generalised into seven categories**: creating an enabling regulatory environment, coordination and alignment, resources, strategy, productivity, labour, and cross-cutting enablers. The GBS actors, generalised into actor types, and their functional areas are summarised below.

GBS stakeholder	Stakeholder type	Functional area(s)						
		Regulatory environment	Coordination and alignment	Resources	Strategy	Productivity	Labour	Cross-cutting enablers
South African Government	Public sector champion	●					●	●
Yellowwoods	Advocate		●	●	●			●
Harambee	Convenor, Advocate, Outcomes Facilitator		●	●	●		●	●
BPeSA	Sector Intermediary		●	●	●			●
BPO operators	Private sector firms				●	●	●	●
The labour market	Labour/Human capital						●	●
Knowledge Executive, Everest, Genesis	Knowledge producer and disseminator				●			●

The public sector champion

The role of the public sector champion centres on creating an enabling regulatory environment, providing guidance on national and local priorities, and helping with political influence in other parts of government. In creating an enabling regulatory environment, the public sector champion provides subsidies or incentives that make the sector or market more internationally attractive to investment, and more attractive for local businesses. The public sector champion is a channel through which policy or regulatory barriers to the development of the market or sector can be addressed. The public sector champion also, crucially, plays an agenda setting role through its national development priorities.

In the GBS sector, this role was played by the Department of Trade and Industry (dtic) from the time that the GBS sector was prioritized in the government’s Industrial Policy Action Plan (IPAP) as a key enabler for job creation, primarily for youth, through offshoring services. The dtic’s strategy was formulated by a customised sector programme focussed on 5 key pillars being: the sector policy, skills development, investment promotion, incentives and industry mobilization. InvestSA, a division within the dtic responsible for investment promotion and the “One-Stop-Shop” for investors, plays a facilitation and co-ordination role with other national departments such as the Department of Home Affairs which is tasked with making the processes of immigration and visa application more efficient where critical skills are required; and the Department of Higher Education and Training which manages and updates South Africa’s critical skills. In addition to national government, the provincial and local governments and their respective investment promotion and economic development agencies, have also played a key role in the development of the GBS ecosystem. This level of government provides funding for some regional industry associations and investing in specific skills and investment projects that benefit the GBS sector.

The advocate

The role of the advocate is to build and maintain interest in the sector or market. The advocate is well-networked and considered a neutral and trusted stakeholder. The neutrality of the advocate gives this stakeholder the space to bring together a multitude of different actors from both government and the private sector. The advocate supports the initial agenda-setting required for ecosystem facilitation, as well as the strategy for the prioritisation of the market or sector.

In the GBS sector, this role was largely played by Yellowwoods and Harambee as the key drivers of identifying GBS as a zone of opportunity, and strongly advocating for GBS in both the private and public sectors to build and maintain momentum.

The convenor

The convenor is central to the ecosystem facilitation model. The convenor is core to agenda-setting in the market or sector and drives the strategic direction of the market or sector through key partnerships. The convenor coordinates the alignment of both private and public sector stakeholders to identify a common vision and execute an action plan to address shared problems. A key function of the convenor is to support a demand-led intermediary to successfully play its role of coordinating supply and demand functions within the industry. The convenor works closely with the sector intermediary to develop a clear industry value proposition, coordinate firms, and establish successful marketing. It also supports the intermediary to develop a pipeline of talent to ensure that the skills that the sector or market needs are in place. The convenor, along with the advocate, maintain momentum by developing, and building on, a proof of concept in order to bring more stakeholders into the sector or market.

In the GBS sector, the convenor role was played by Harambee Youth Employment Accelerator. Harambee has worked to convene and collaborate with demand-side stakeholders and others on scaling new jobs, increasing inclusive hiring practices and improving the financial sustainability of the sector's industry association. Harambee's key contribution to the GBS ecosystem as a convenor has been the technical and strategic support provided to BPeSA as the demand-led intermediary. This has allowed BPeSA to successfully play its own convening role within the sector and is contributing to BPeSA's long-term financial sustainability.

The outcomes facilitator

The outcomes facilitator directs funding to the sector intermediary against agreed performance deliverables and outcomes to improve existing resources and processes. This raising and allocation of funding provides the resources for the intermediary to expand its ecosystem role to support inclusive growth. Key elements of ecosystem facilitation that need to be supported may well vary but can include the initial convening costs, the costs of developing or establishing an intermediary, mobilisation costs, and the funding of specialist resources. The outcomes facilitator is crucial in the early stages of ecosystem facilitation, particularly where a proof of concept is being developed. However, the role of the outcomes facilitator shifts over time as the sector or market moves into maturity. Later on, the role shifts to supporting the intermediary to unlock other sources of funding to become financially sustainable and achieve its strategic objectives.

In the GBS sector, the key outcomes facilitator role in the ecosystem was played by Harambee Youth Employment Accelerator. Harambee facilitated and directed performance-based outcomes funding for BPeSA linked to inclusive job growth in the sector, amongst other things. Harambee has also been assisting BPeSA to move towards financial sustainability and raising other funding sources for key strategic projects. The financial sustainability of the intermediary is one of the key performance indicators that Harambee uses to measure its ecosystem impact.

The intermediary

While the convenor and advocate play an essential role in the early stages of ecosystem facilitation, the intermediary is charged with implementing the sector or market strategy and maintaining momentum. This is done through multiple avenues – coordination, marketing, reinforcing the proof of concept and developing a scalable skills pipeline. The intermediary is the key coordinator of firms, knowledge producers and the public sector to ensure that all activity in the sector or market is aligned to strategic goals. From a marketing perspective, the intermediary ensures that the value proposition of the sector or market is well known and well understood. Related to this, the intermediary strengthens the proof of concept throughout the development of the market or sector. A successful proof of concept attracts more funding and drives political prioritisation. The intermediary also co-ordinates the supply side and executes a skills strategy to meet the demand for talent.

In the GBS sector, this role was played by Business Process enabling South Africa (BPeSA). The BPeSA team travelled South Africa and specific source markets (like the UK, the USA, Australia), rebuilding interest and trust, engaging with business, regional and provincial governments to drive and renew the process of developing the GBS sector. The BPeSA board focused heavily on overcoming regional fragmentation and promoting unification and a cohesive South African brand and value proposition for the GBS sector.

The knowledge producer and disseminator

The collection of data, its analysis, and its dissemination are crucial to the development of a market or sector. The data collected serves as a reflection of progress made in the sector or market. Where successes can be shown, this acts as a signal to the market that the sector is worth investing in. In this way, data continuously builds on the proof of concept for the development of the market or sector. Data also serves to highlight where pivots in strategy are potentially required.

In the context of the GBS sector, this role was primarily filled by Knowledge Executive. Knowledge Executive creates and publishes global, national and regional research, surveys and market intelligence in the GBS sector. Contributions were also made by the Everest Group which developed South Africa's GBS value proposition, and Genesis Analytics through the *South Africa in the Digital Age* initiative.

Private sector firms

The role of private sector firms in the development of a sector or market centres on the provision of technology, driving competition, improving productivity and as a source of employment demand. Centrally, the private sector must buy in to the strategy for the development of the market or sector. The more private sector stakeholders in the ecosystem, the more competition is generated, the more efficient and innovative markets become. Improvements in technology and productivity made by the private sector ensure that the country is seen as a viable destination for investment into a sector or market.

Labour/Human Capital

Labour centres on human capital, providing labour input and driving inclusive skills development. From a human capital perspective, labour plays a role in education and developing the key skills required for the growth of the sector or market. Once these skills are developed, the labour market supplies firms with the required labour. Labour forms the supply side of the ecosystem of a sector or market.

HOW THE PLAYERS COME TOGETHER – A TOOLKIT FOR ECOSYSTEM FACILITATION

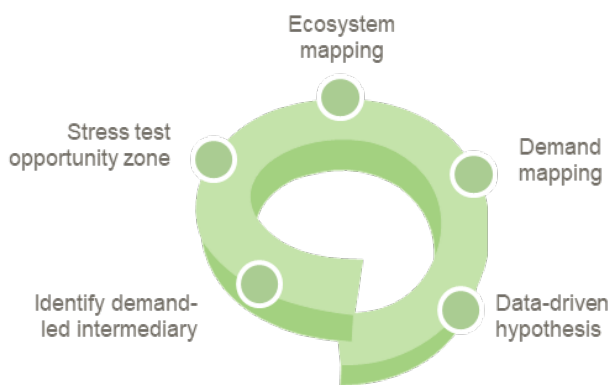
Harambee's approach to ecosystem facilitation has been iterative and agile, learning from early experiences and adapting to changing circumstances. Although modelling these dynamics will fall short of the real thing, it is still useful to distil the approach down to its essential components, which are represented here as a series of rings. Together, the rings make up a spiral of ecosystem facilitation which whips up change and gains momentum as the spiral grows into consecutive cycles of scaling. This is demonstrated in the diagram below and elaborated on in the following sections.

Figure 1: A model of Harambee's approach to ecosystem facilitation



Identify the zone of opportunity

The first task for an ecosystem facilitator is identifying the right zone of opportunity to work in. This is an early set of activities to figure out where there are areas with solvable problems and stakeholders with aligned interest, but where stakeholders are not coming together to coordinate action around a common problem. In identifying the zone of opportunity, the advocate and the knowledge producer and disseminator play an important role. The advocate identifies and stress tests a zone of opportunity, and the knowledge producer and disseminator can do research and demand mapping exercises to validate this.



It starts with a **data-driven hypothesis** to establish a starting point and to give the advocate a credible voice. In the case of GBS, Harambee made use of a combination of BPeSA data augmented through its own insights from employer-partners in the financial services and insurance markets. These partners had call centre operations and, in addition to the BPeSA data, Harambee had sight of the fact that GBS could provide good jobs to young people, that these jobs could be scaled, and where the barriers to entry for these jobs were.

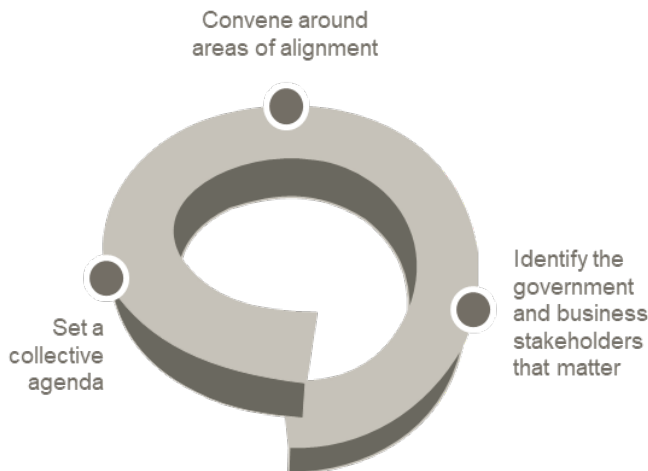
Next **demand mapping** gives an indication of where the demand for jobs would be in this zone of opportunity. This has to be at the granular level of job families. Harambee has worked with consultancies to do this at a market level but found that its own data as an operator was also useful. The best way of generating this insight was to work with employers to map demand at a granular level from the ground up. The competencies Harambee built through its core function helped to identify where the gaps in the job market were. A key driver of demand in GBS was the opportunity to position South Africa as a destination of choice for the growing offshore outsourcing market through a solid value proposition.

Ecosystem mapping is necessary to understand who the key players in the ecosystem are, which of them have influence, and what their interests are. For the GBS ecosystem, Harambee spent a large amount of time meeting with various stakeholders to build trust and assess the landscape.

At this early stage, **identify a demand-led intermediary** that can be capacitated to play a coordinating role in the industry. This could be an industry association or other similar types of organisations. In the GBS case, although BPeSA was under financial pressure at the time that Harambee became involved, they had strong roots as an organisation and were responsible for a national and provincial mandate. Harambee could see that BPeSA had the potential to be a successful demand-led intermediary for the country if the leadership and funding challenge could be solved.

Stress test the opportunity zone with a small group of industry experts who have a deep knowledge of the sector, and of its constraints to scale. In the case of GBS, working with industry people with deep credibility and networks to validate what it would take to achieve the vision helped to understand the opportunity zone and its pain points.

Convene the stakeholders



Convening is a core function of an ecosystem facilitator in order to align stakeholders around a common vision and execute a common action plan. The credibility of the convener is key to attract the decision-makers who can actually commit to decisions. In convening the stakeholders, the advocate and convenor bring together the stakeholders that would drive the success of the market or sector. These include the public sector champion, private sector firms and labour.

It starts with **identifying the government and business stakeholders that matter**. Those with

influence and those that have a common set of interests. Then **convene around areas of alignment** and compact around joint problems. In the case of GBS, Harambee convened a series of Solutions Exchanges since 2013 to get key players to compact around a strategic area in the national plan. This was followed by a Leadership Conference to bring together supply- and demand-side leaders to compact on joint problems for the sector.

Set a collective agenda and coalesce leaders to sign up to a common vision. At the GBS Leadership Conference, leaders voted on their “top 10 agenda” and agreed that pathway management to grow GBS jobs was a top agenda item. Although Harambee put this on the agenda, it was important that the leaders voted for it and identified it themselves.

Assemble a sector-specific credible team



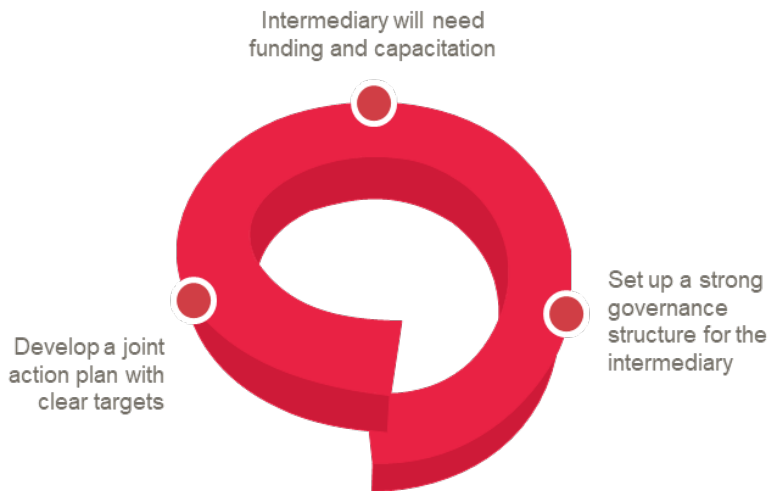
People are a key part of facilitation and Harambee places a particular emphasis on quality leadership and staff. In the GBS case, getting successful industry leaders to be part of the team early on was a crucial part of its success. The convenor and outcomes facilitator are essential in this stage.

First **assemble an internal team** with emotional intelligence, deep knowledge and industry credibility.

Also **identify the right leadership in partners** such as the demand-led intermediary. In the case of BPeSA, supporting new leadership and the board to play their role of support to the industry was critical for the sector’s success and job growth.

Foster political champions early on to defend against detractors in the political sphere that emerge later on. Examples of this include the Provincial and City governments which have provided longstanding support to the GBS sector.

Develop or establish the intermediary



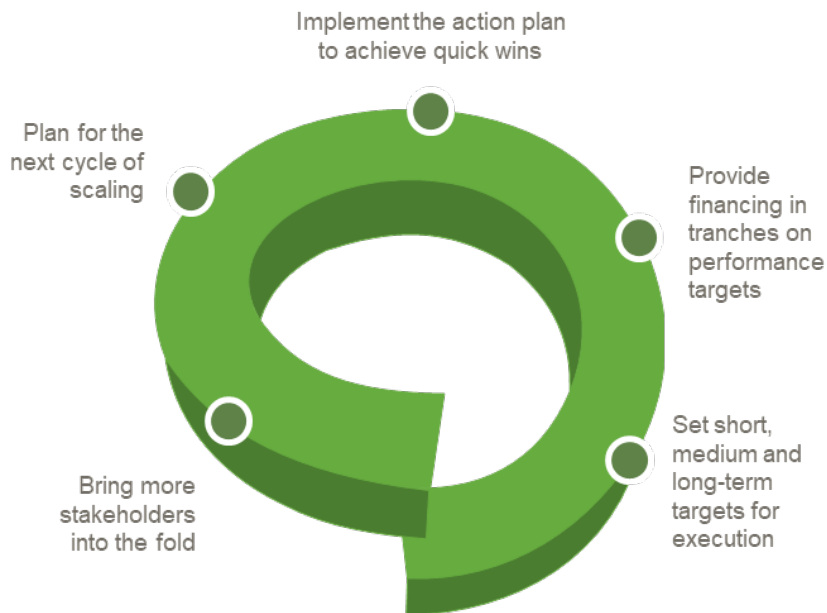
The demand-led intermediary plays a strong role in Harambee’s approach to ecosystem facilitation. It is a key part of the approach’s sustainability as Harambee is not substituting for any market function. Harambee has an endpoint in mind for its support – for GBS it is when BPeSA is a self-sustaining organisation and the sector is inclusively scaling by itself. As such, investing in a well-functioning intermediary is critical. The convenor and outcomes facilitator provide support to the intermediary in this stage.

It starts with **setting up a strong governance structure**. This is to ensure that funding is used optimally and that there can be accountability for performance on an outcome’s basis. In the case of BPeSA, Harambee supported new leadership and provided leadership to the BPeSA board.

Intermediaries will need funding and capacity building. Intermediaries, such as industry associations, often need financial support and technical assistance to fulfil their role. Harambee has been financing BPeSA and providing strategic and technical support to the organisation. Harambee’s assistance in guiding BPeSA to expand its membership base into the digital and ICT sector will be important for BPeSA’s long-term financial sustainability and global positioning. Harambee has also supported BPeSA to navigate the challenges of the COVID-19 pandemic and help the industry develop a response plan.

Develop a joint action plan with clear targets to guide implementation. Working with the intermediary to determine what collective actions are needed to unblock the obstacles to scale in the sector, and who needs to undertake these actions, is essential. Associating these actions to clear targets which set out what the intermediary is aiming to achieve, by when, is also important.

Execute and iterate to build momentum



With an action plan in place, it is crucial to achieve some quick wins immediately to build credibility and momentum. Part of this involves getting influential leaders in the ecosystem to “lean in” and convince other stakeholders in the industry that this opportunity zone represents a good vision and that solving these shared problems is essential.

This is how the work of the facilitator and intermediary generates momentum and gets other stakeholders to buy in to and participate in the process of collective action. In this stage,

critical mass is required. It is during these components then that advocate, convenor, outcomes facilitator, intermediary, labour, the private sector and public sector all come together.

It starts with **setting short, medium and long-term targets for execution**. This keeps the intermediary focused on execution and accountable for results. In the case of GBS, these time-based targets were set across three KPIs: net new jobs, inclusive hiring, and financial sustainability for BPeSA. It was also important to crowd in government actors to this target-setting exercise. One of Harambee’s greatest contributions to the ecosystem was the brokering of an institutional agreement between BPeSA and the dtic as the sector’s government champion. The agreement provided clear job growth goals, with targets for impact sourcing among disadvantaged youth, and was fundamental to BPeSA’s reestablishment as an industry body. The institutional agreement gave it credibility with stakeholders once more.

Funding to the intermediary is structured in tranche payments based on performance and the achievement of outcomes. This encourages the intermediary to become financially sustainable by getting funding through outcomes, rather than operating subsidies which donors often provide. In the case of BPeSA, Harambee’s funding was mostly used to pay for market-building activities that would encourage scale, rather than funding BPeSA’s operations. Examples are increasing marketing efforts and the development of sector skills which are critical for generating scale.

Implement the action plan to achieve quick wins in the early stage of execution. Focus on a few quick wins that can be achieved in a short period of time to demonstrate the intermediary’s value to the industry and begin the process of crowding in industry leaders and other stakeholders. Having achieved a few quick wins, the focus is then on staying the course and working towards the medium- and long-term targets. In so doing, more stakeholders will be crowded in (and there will likely also be more opposition generated). Using the evidence base, new hypotheses will emerge around how to get to the next phase of scaling. In GBS, this has prompted a new cycle of scaling - the potential for exporting digital and IT outsourcing services if the IT sector can be convened and joint problems can be solved, as has been the case with the GBS sector.

Plans for the next cycle of scaling need to be in place so that new and on-going facilitation activities can take place. In GBS, Harambee applied its facilitation approach to a series of growing targets that were agreed on

with the dtic and BPeSA: 50,000, then 100,000, and then 500,000 as the GBS and IT sectors work together to export services globally.

Use this momentum to **bring more stakeholders into the fold**. Coalescing an increasingly broad net of stakeholders around the goal is important. For example, Harambee and BPeSA partnered with the South Africa in the Digital Age initiative to put GBS on a national digital strategising agenda, and in so doing expanded the sector’s jobs growth target and extended job creation planning into a new timeframe and new areas. Harambee’s support to BPeSA in participating in the Public Private Growth Initiative (PPGI) also introduced BPeSA to a new set of stakeholders, and ultimately led to BPeSA’s expanding mandate to the IT sector.

BPeSA has also focused on increasing its own partnership network with business associations in the local market, such as Business Unity South Africa (BUSA) and the Institute of Information Technology Professionals South Africa (IITPSA), as well as a number of industry associations in global source markets such as the International Association of Outsourcing Providers (IAOP) and the Professional Association for Customer Engagement (PACE).

Learning for ecosystem facilitation in other sectors or markets

The table below summarises how the stakeholders in a successful market ecosystem come together through the steps of ecosystem facilitation.

Stakeholder type	Identify the zone of opportunity	Convene the stakeholders	Assemble a credible team	Develop or establish an intermediary	Execute quickly to build momentum
The advocate	●	●			
The convenor		●	●	●	●
The outcomes facilitator		●	●	●	●
The intermediary				●	●
The knowledge producer and disseminator	●				●
Labour		●			●
The private sector		●			●
The public sector		●			●

In addition to the important role of advocate and convenor to get a zone of opportunity started, Harambee’s critical role in the GBS ecosystem has been convening, technical support and strategic direction to BPeSA as the intermediary. This is a central component of Harambee’s approach and is also the key to the approach’s sustainability. Making sustainability of the intermediary one of Harambee’s KPIs ensures that the market is not dependent on Harambee’s intervention for its success.

As Harambee turns its attention to replicating its success in the GBS sector to other sectors or markets, **it will be important to differentiate between those functions which Harambee needs to provide itself,** versus

supporting the intermediary to provide its functions, and catalysing other stakeholders to provide other cross-cutting functions.

In the early stages of identifying an opportunity and convening the stakeholders, it is appropriate for the ecosystem facilitator to be directly playing the advocate and convenor role – particularly if there is not a clear demand-led intermediary like BPeSA in play. Since the credibility of the convenor is key, one-way Harambee can do this more successfully going forward is to communicate its role as ecosystem convenor, and the rationale behind this. This is a role that Harambee is often not known for, even within the GBS industry, but can be used as a successful example to build Harambee's credibility. In addition, Harambee's partnership with the Presidency in leveraging its pathway manager model for national scaling will assist with validating Harambee's credibility in other sectors.

In the subsequent stages of assembling a team and developing the intermediary, the ecosystem facilitator's role shifts to one of outcomes facilitator by enabling the role of the intermediary. The legacy and long-term success of Harambee's contribution to any market will be the impact and sustainability of its demand-led intermediary partner. In cases where there isn't a clear demand-led intermediary, such as in the IT sector, Harambee may have to take on a larger institution-creation role to establish an operational intermediary, before building up its capacity and financial sustainability.

As the focus shifts to execution and building momentum, in addition to support the intermediary, the ecosystem facilitator's key role is catalysing other stakeholders to provide their function. This includes leveraging Harambee and its networks and influence in the spheres of government to catalyse policy and regulatory reforms, addressing inclusive skills supply issues, and creating partnerships with research and strategy firms to guide on the market's development.

Lastly, an ecosystem facilitator will always have a role to play in identifying and planning for consecutive cycles of scaling. When considering how to scale South Africa's GBS sector, the early success of GBS services in some provinces was a proof of concept for expanding national activities. And Harambee is now testing a new hypothesis that exporting outsourced IT and digital services will unlock a new cycle of scaling for the GBS sector. This function of looking out for, and planning for, new cycles of scaling is a critical value-add that Harambee is well placed to provide in any market or sector.

GLOBAL BUSINESS SERVICES CASE STUDY

Act I: 1996 - 2009

In 1996, with over 5,000 seats in the sector, South Africa's burgeoning call centre industry was showing signs of positive development. This begged the question: could growth be expanded?

In an attempt to answer the question, industry representatives took a Telkom-sponsored trip to Amsterdam to investigate the potential for the South African call centre sector. They firmly believed that South Africa had all the right credentials to attract another 100,000 jobs. A key blocker, however, was that telecommunications giant Telkom monopolised carrier routes and proved stubborn on international tariffs. It was not long before India snatched up the lion's share of the global market, quickly establishing itself as the go-to economy for call centre work.

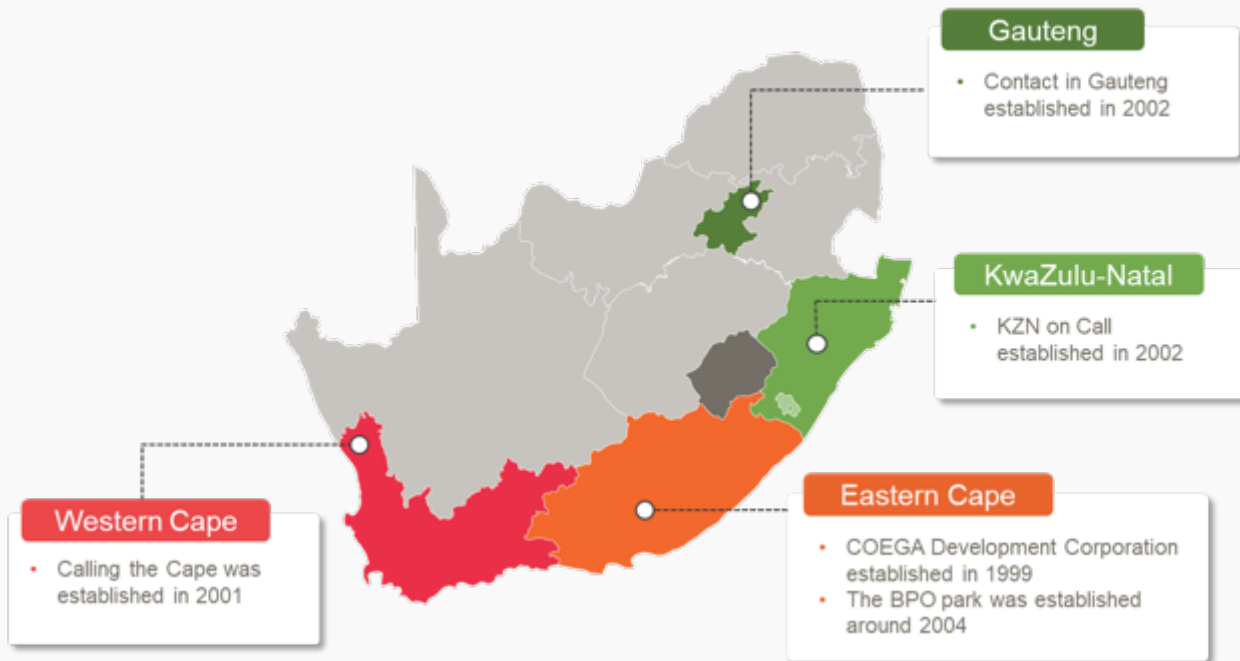
With such strong competition, South Africa needed to develop a unique value proposition. To start with, the local market had a number of advantages, including strong infrastructure. The country was also ideally placed to serve the European market due to optimal time zones. And when the sun set in the US and Australia, South African call centres could service their night markets. South African agents also had a high level of cultural and linguistic alignment to these markets, allowing them to engage well with clients. Moreover, they ranked well in terms of customer experience and conversational ability and were recognised as being able to empathetically resolve customer queries rather than just offer platitudes. Finally, South Africa was more cost-effective than delivery from the United Kingdom and Ireland, but it was on a par in terms of quality due to language proficiency and its customer-service ethic.

With this in mind, the Western Cape Province proved to be an easy landing spot for BPO operators and for the offshoring of captive work due to a combination of factors. Investors were attracted to the Cape for more than just its mountain views and sandy beaches. The City of Cape Town, in partnership with Wesgro, had aggressively positioned itself as a destination for foreign direct investment in order to generate a larger tax base by increasing the number and quality of jobs available. As a result, the city proved to be a trailblazer for much of the sector's history. Gauteng, KwaZulu-Natal and the Eastern Cape provinces later followed suit, but did not achieve the same scale.

With the industry developing, there was a clear need for organised business representation. Industry associations provided a single channel for liaising with government and organising businesses to solve common problems. This started in the Western Cape Province in 2000 with the formation of *Calling the Cape*. The KwaZulu-Natal and Gauteng industry associations followed between 2001 and 2004, while the Eastern Cape industry was represented by government (through organisations called Coega and the ECDC).

The formation of the four regional bodies was a reflection of the need for industry representation, but the regional arrangement caused competition between the various bodies for investors and clients. It also did not promote a united South African value proposition and caused much confusion among investors who were used to dealing with a single national industry association.

The establishment of regional industry groupings



Source: Genesis Analytics research, 2020

The need for a unifying national body was, however, quickly met with the formation of the South African Contact Centre Community (SACCCOM) in 2004. The various regional bodies still continued to operate using separate names under the SACCCOM umbrella, though, and more serious structural incompatibilities persisted.

Further, SACCCOM relied heavily on income from membership fees to fund its activities. This meant that resources were often constrained and most activity consisted of the voluntary participation of very small core teams. This significantly limited the influence, effectiveness, and reach of the organisation over the years, even if it did occasionally manage to attract support and sponsorship from private companies. The sector itself nevertheless recorded some notable achievements.

Around the same time, in 2005, the national government's Department of Trade, Industry and Competition (dtic) had also identified the sector as having potential for growth and job creation. They signed off on a customised sector development plan in the same year.

The dtic understood that the cost of telecommunications made South Africa significantly less competitive compared to the global success of destinations such as India and the Philippines. So their primary contribution was to create an incentive structure that helped to offset this cost differential in telecommunications between South Africa and other destinations. The first incentive, launched in 2007, created over 6,000 new jobs. The incentive initially supported bringing off-shore opportunities to South Africa – but many companies would arrive in South Africa, use the incentive and then leave. There were limited benefits from this model - it did increase the amount of people trained, but a model was needed to ensure that the investments made were more sustainable.

Alongside this, SACCCOM crafted an industry strategy focused on skills, infrastructure, mobilisation, and standards. To address skills, a programme called Monyetla was launched in 2008. On infrastructure, SACCCOM

successfully lobbied the Department of Communications to reduce telecommunications costs by 80% in the late 2000s. To grow industry mobilisation, the dtic and an entity called the Business Trust combined the resources of business and government to accelerate the achievement of sector objectives through funding and leadership support from 1999 to 2011. To address the issue of standards, the Customer Operation Performance Centres (COPC) was launched to make the sector more marketable to international investors.

Contribution to the economy by 2009⁶



9 065

Industry
headcount



R2.2 billion
(0.09% contribution to GDP)

Annual export revenue



R207.4 million

Annual infrastructure
investment

Despite all these successes, there was still not a unified industry body at a national level. Funds did not flow effectively between provinces and there was significant disagreement and infighting over resources between regions. The industry body still needed more institutional support and a more cohesive structure.

In 2006, SACCCOM was rebranded as Business Process Enabling South Africa (BPeSA). With more government and private sector funding, it set about developing South Africa's BPO value proposition and implementing international marketing activities. In addition, the regional bodies were rebranded to BPeSA Western Cape, Gauteng, etc. This set the scene for a new dawn, but the struggles that had marked the industry's inception would not abate that easily.

Act 2: 2010-2015

Initially based in Gauteng, the BPeSA national office began to be operated from the Western Cape by the early 2010s.

The national structure had required its regional bodies to pay membership fees to fund its operations. BPeSA Western Cape – experiencing value from the investors who were coming into Cape Town – had successfully managed to grow strong relationships with its city and provincial government to fund its operational costs. They were better mobilised and resourced than any other region and thus could take up the role of stewarding BPeSA national's mandate. This included incubating national skills initiatives in the early 2010s using Western Cape funds and a grant from the Rockefeller Foundation.

However, as it was unable to build up a big enough membership base or one that represented all the major regions, the national effort proved financially unsustainable and it failed. The BPeSA national entity applied for voluntary liquidation and the sector reverted to each region managing its own affairs. Limited by funding and

⁶ Source for industry headcount and export revenue: data provided by Knowledge Executive / Genesis GBS and BPeSA; Source for infrastructure investment: data provided by Everest Group (2019) in South Africa's Global Business Services Industry Value Proposition – assumes infrastructure makes up 15% of total operating cost and using the historical USD/ZAR exchange rate of 8.474

without proper coordination, the Eastern Cape was largely excluded from development activities, KwaZulu-Natal battled with its regional politics, and Gauteng slowly disengaged from the GBS sector initiatives. Only the Western Cape had the resources and regional relationships to keep functioning and achieving good results.

Without a national body to represent business, relationships with national government became difficult to manage, leaving both without the means and partner platforms necessary to align their efforts and collaborate.

The differences in mobilisation, inclusion, and results became more accentuated across the regions as each went their own way. While the government incentives remained a key attraction to investors, the absence of a clear value proposition, combined with the lack of a cohesive marketing approach and limited participation in the export growth opportunity, cost South Africa dearly. The sector was in disarray and the opportunity to benefit from greater export revenues and job creation during this period was lost.

During this same period, Harambee had started to build an understanding of the call centre industry through its early employer partners, many of which were in the financial services or insurance industry and had call centres. Harambee learned that these were quality jobs for young people that could be scaled, and also began to identify the barriers to excluded youth of accessing these jobs. The competencies Harambee built during this process also helped to identify where the gaps in the job market were.

Once this zone of opportunity had been identified, it had to be validated. Harambee therefore dedicated a great deal of time to meeting with various stakeholders in order to build trust and assess the landscape. Harambee regularly met with BPO operators in Johannesburg, Cape Town and Durban to understand their entry-level hiring requirements and needs. Harambee's CEO served on the BPeSA Western Cape board to further its strategic alliances in the sector. Finally, Harambee understood that it had to hire its own team with credible experience and visibility in the sector if it wanted to advance its youth job creation objectives.

Between 2014-2018, Harambee led a series of convenings to bring together supply and demand-side leaders to solve joint problems. At these annual conferences, called 'Solutions Exchanges', leaders from the sector agreed that inclusive hiring of youth who had limited or no work experience was an opportunity to differentiate South Africa's value proposition. While Harambee was an advocate for inclusive hiring, sector leaders themselves identified this as a key part of the country's potential value proposition. Another key feature of these convenings was the rebuilding of trust between a fledgling BPeSA structure and the dtic, who still had vested interest in seeing the sector flourish.

In following the steps of model above for successful ecosystem facilitation, Harambee focused on assembling a strong leadership team with deep knowledge and industry credibility – as well as sophisticated stakeholder management skills and high emotional intelligence. Similarly, the need for high quality leadership was also a consideration in how Harambee built support for other partners in the ecosystem. In the case of BPeSA, Harambee identified the critical need for a very strong national board and CEO if the sector was going to re-establish itself to compete with foreign markets like India and the Philippines.

A new CEO was hired at BPeSA and a new board was formed with highly credible leaders from across the country and across the sector. They were primarily focused on overcoming the regional fragmentation, promoting unification and a cohesive South African brand. Forums were established to allow industry to add their view to the mobilisation of a national plan. This began a multi-year process of reunification of the industry. The new national BPeSA had an enhanced value proposition and provided support for 'selling' all regions in South Africa to potential investors.

A demand-led intermediary plays a strong role in Harambee's approach to ecosystem facilitation. It is a key to the model's sustainability as Harambee is not substituting for any market function. In this case, the organisation has an endpoint in mind: for BPeSA to be self-sustaining and for the sector to be scaling by itself. As such, investing in a fully functioning intermediary was critical.

Harambee identified BPeSA as a necessary component for a successful GBS ecosystem but recognised that it needed to be rebuilt and re-capacitated.

Harambee began this process by using pay-for-performance principles to facilitate outcomes-based funding for BPeSA. This funding – which relied on BPeSA’s ability to deliver net new job growth – provided the industry body with the resources it needed to travel the country, rebuild interest and trust, engage with business, and rekindle its relationships with regional and provincial governments.

With a strengthened BPeSA, Harambee was able to support an institutional agreement between the industry and the dtic as the sector’s government champion. The agreement provided job growth targets, with a set-aside for inclusive hiring of disadvantaged youth. This institutional agreement gave BPeSA increased credibility with its stakeholders once more. BPeSA was also supported by Harambee to build relationships with other national government departments and relevant stakeholders to increase the visibility and prominence of the sector as an engine for job growth.

There was, for example, a lingering perception by many government stakeholders of the industry as having no career progression and volatile job security. In fact, the dtic had done a lot of work to mitigate the ‘sweat shop’ image that tarnished the industry in its early years. Incentives had been revised to include minimum wages. Data showed that the industry in fact paid decent salaries (see figures below), employs many women, and has many avenues of strong career progression into related sectors.

Average earnings of a typical GBS employee



Source: “Average Customer Service Agent Salary in South Africa,” and “Average Call Centre Agent Salary in South Africa” available, online, at: [payscale.com](https://www.payscale.com); Note: size of the bubbles are proportional to the annual salaries

The dtic was an invaluable part of the ecosystem through their role of keeping the operating environment competitive through the industry incentives, with the outcome being more job creation. The dtic also funded and attended marketing missions to assist the industry secure more business from ‘source markets’ in Europe, the United States and Australia. They also funded national skills development initiatives and infrastructure projects like BPO parks. All these efforts helped the sector to become more competitive against rivals like India and

Philippines by closing the pricing gap for investors to come to South Africa. Moreover, foreign direct investment brought opportunities for skills transfer and new technology.

The growth of jobs alongside an iterative incentive structure spoke to the success of what had been achieved in these years. A revised incentive structure (moving from a capex to opex model) created 9,065 jobs between 2010 and 2014. In 2014, the incentive was revised again to allow for two tiers, namely non-complex and complex jobs – this helped create an additional 15,000 jobs. Then a three-tier incentive was introduced to better respond to the complexity of work in the sector. This new version of the incentive also required that at least 20% of new jobs were made available to youth from excluded communities, and with a minimum salary that was above the national minimum wage level. From 2015 to 2019, growth jumped to a 24% year on year average, with the incentive playing a key role. Each iteration was based on a review process that ensured closer and closer alignment to industry needs and requirements.

Constant adaptation and transformation has underpinned the entire process. The cumulative efforts of these ecosystem players - and Harambee's actions as an ecosystem facilitator - established a clear track record and proof of concept. The value proposition of the GBS sector had been validated, both for international investors and local players. This was clear from the accolades South Africa garnered, which included being recognised as the second most preferred global offshore BPO destination for three consecutive years in the Ryan Strategic Advisory annual Front Office BPO Omnibus Survey of global contact centre decision-makers. South Africa was also recognised by the Global Sourcing Association as the most preferred delivery destination for BPO in 2018. This shows that the country still has the potential and ability to be a global player and that jobs can be created for people in excluded communities, especially the youth in those communities. In short, the potential for significant scaling has been proven.

Achieving scale will, however, still require a lot of hard work in order to drive the momentum forward. An important factor for success is to broaden BPeSA's membership base so that the industry body can become financially sustainable. A key driver for this is to expose many more companies to the growth opportunities available in the GBS sector globally. Working towards these goals has, to date, required hard work and substantial expenditure on marketing and skills development in order to create a truly national success story. For the sector's scaling to be inclusive, growth has to be shared beyond the three main cities in South Africa and even directly in townships, where most unemployed youth reside.

Contribution to the economy by 2015⁷



26 700
Industry
headcount



R6.6 billion
(0.14% contribution to GDP)
Annual export revenue



R922.03 million
Annual infrastructure
investment

⁷ Source for industry headcount and export revenue: data provided by Knowledge Executive / Genesis GBS and BPeSA; Source for infrastructure investment: data provided by Everest Group (2019) in South Africa's Global Business Services Industry Value Proposition – assumes infrastructure makes up 15% of total operating cost and using the historical USD/ZAR exchange rate of 12.79

Act 3: 2016-2020

After two decades of hard work and struggle against prevailing conditions, the GBS industry emerged into the late 2010s with every intention to scale, embed inclusive hiring as an industry practice and value proposition, and achieve financial sustainability for the industry intermediary. Its aspiration is to create 500,000 new jobs by 2030 and its key focus is on ensuring the coordination of supply and demand to secure sustainability and inclusive growth.

With a functional industry intermediary and sector action plan in place, it was crucial to achieve some quick wins in order to build credibility and momentum. Among other things, this involved getting influential leaders in the ecosystem to become more involved, to convince other stakeholders that the opportunity zone represented good growth potential, and to assure them that solving shared problems was therefore essential. This is how the work of both facilitators and intermediaries generates momentum and gets other stakeholders to participate in the process of taking collective action.

Harambee's intervention and BPeSA's reinvigorated efforts focused on relationship-building, both locally and internationally. Several provincial economic development agencies, as well as the premier of Gauteng Province, came on board, funding the initiative and giving it credibility. The Gauteng Department of Economic Development (GDED) invested more money in the growth of the sector while the Tshwane (Pretoria) Economic Development Agency (TEDA) extended its service-level agreement with BPeSA and committed more funding to skills projects and the marketing of a BPO park in an outlying area called Hamanskraal. The eThekweni (Durban) municipality and the trade and investment body for the Kwa-Zulu Natal Province also committed new funding to the sector on the strength of the national strategy and the support of the national partnership. Harambee, with its extensive network, introduced BPeSA to many other national actors: Business Unity South Africa (BUSA), the Public-Private Growth Initiative (PPGI), the Presidency Project Management Office on Youth Employment, and the Jobs Summit.

Harambee's networks and relationships in government proved critical to BPeSA's ability to bring more stakeholders into the fold. For example, the Public-Private Growth Initiative (PPGI) is an initiative that has arisen out of President Ramaphosa's 2018 State of the Nation Address. It partners government and businesses engaging in 23 different sectors to form broad-based coalitions for growth projects. PPGI is a channel for business and is intended to co-create sectoral growth plans that feed into national growth plans. The ultimate goal is to create alignment among all economic sectors, build momentum and, ultimately, create 'master plans' for each sector.

With Harambee's support, BPeSA has used the PPGI structure to give prominence to its efforts in national economic policymaking. These connections have, in turn, given BPeSA access to new channels for engaging government and for addressing ongoing issues like foreign work visas and the fast-tracking of critical skills, which are yet to be resolved. They have also given BPeSA a bird's eye view of all the moving parts in the ecosystem and enabled it to identify and resolve problems as they arise.

For example, in March 2020, BPeSA was able to advocate with the dtic to include call centres as essential service providers for both the domestic and international markets when the state of disaster was declared in response to the COVID-19 crisis. This allowed BPeSA to monitor and report on the state of the sector and its compliance to the regulations specified in the Disaster Management Act governing the country's response to COVID-19.

BPeSA and Harambee further engaged in extensive networking with international bodies such as the International Association of Outsourcing Professionals (IAOP), which has 200,000 members, and the Professional Association for Customer Engagement (PACE), which has 350 members in the US. In addition, relationships were established with company members in the UK through the local branch of the South African Chamber of Commerce, and in Australia, through an organisation called MATCH Board, which matches

business buyers and suppliers across sectors. The aim of this effort was to expand into the US and Australian markets while still maintaining market share in the European markets.

It is costly to have staff on the ground in these countries to promote South Africa's value proposition as an option for offshore delivery, so having local partners was critical.

Harambee also opened doors for BPeSA to key international analysts and funded a visit to South Africa by 18 leading global analysts in 2017 so that they could experience the country first-hand and provide input into the country's GBS value proposition. These analysts have played a significant role since then by writing about South Africa and the development of the GBS sector. This has been instrumental in positioning the country as one of the global Top 5 BPO destinations of preference for BPO decision-makers. At present, BPeSA is also nurturing a relationship with NASSCOM, India's national association. In 2018 and 2019, Harambee enabled BPeSA to send a team to India to participate in a learning exchange with NASSCOM in order to ensure that South African operators have insight into the success of India's call centre industry.

In 2019, BPeSA commissioned the Everest Group to create and publish a refreshed value proposition for the sector. This offered an extensive and cohesive look at the promise of value for companies and operators looking for an offshore delivery location. It was a significant achievement as it finally allowed all stakeholders to present a unified front and addressed the enduring poor level of awareness about South Africa's value proposition among international investors. Marketing South Africa's success stories is key to changing perceptions about the country as a well-known delivery location for GBS.

Further developments are taking place concurrently and may deliver tangible rewards in the future.

As an example, BPeSA is developing a B-BBEE charter for the sector in order to attract more foreign direct investment to the country. This will facilitate the creation of much-needed jobs and will also promote government's B-BBEE transformation agenda and make the economic environment more hospitable for international companies. Also, off the back of the significant work done to establish South African Bureau of Standards (SABS) industry standards in the early 2000s, ISO standards (ISO18295) were launched in 2018 in collaboration with international organisations. An additional plus is the fact that South Africa is the international secretariat for the industry's ISO standards. This gives the country a significant competitive edge over countries like Indonesia, for example, which cannot guarantee a standard quality for GBS services.

Finally, the industry needed a plan to develop a scalable pipeline of talent, drawing from South Africa's pool of unemployed youth. The first step was to establish a skills forum in each of BPeSA's regional structures. This institutional structure was designed to collect information directly from operators about what skills they required and where their unfilled job vacancies were. It was an important milestone because it provided a mechanism for rapidly and continuously collecting data on supply-side skills constraints in the industry.

With Harambee's support, BPeSA also developed a [GBS Sector Skills Strategy for 2019 to 2023](#). This was the product of 18 months of work by the BPeSA team and more than 80 skills practitioners and professionals from across the country, all of whom used the skills forum platform to formulate the strategy. The strategy is demand-led and recognises the need for tech-focused skills, domain skills, and GBS-specific skills throughout the value chain. The strategy fosters confidence among global operators that South Africa is the ideal destination for offshore service delivery, offering the depth and breadth of skills necessary to operate at scale, respond to ever-changing customer needs, and remain flexible in the face of technology driven change.

The skills forums also came in handy in unexpected ways.

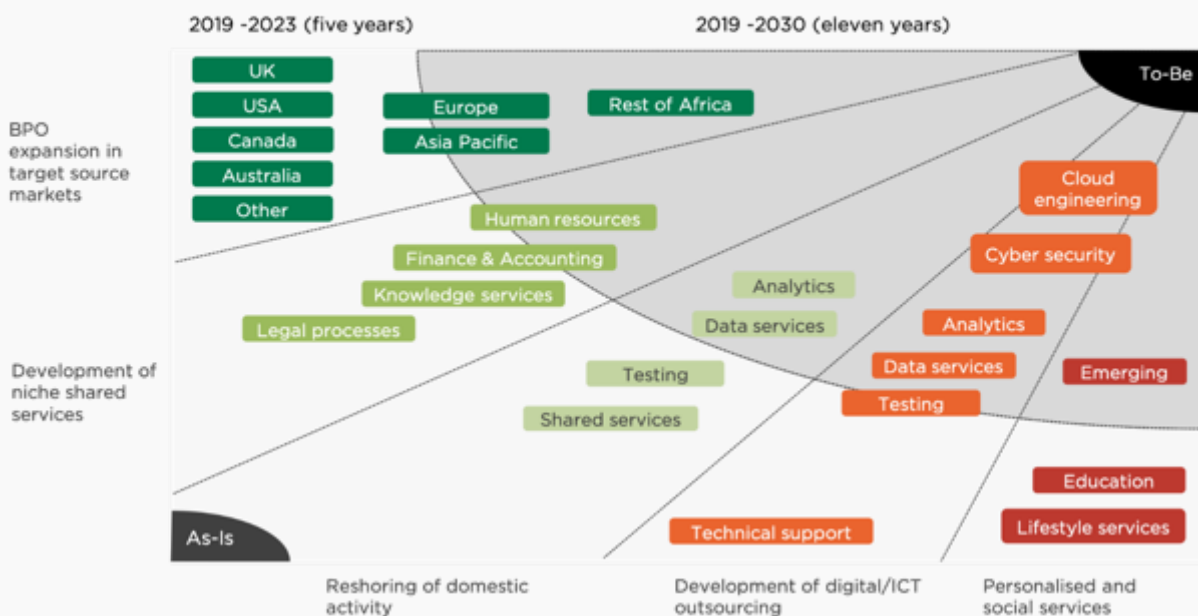
One of the major short-term skills issues in the sector arose from South Africa's foreign work visa regime, which prioritises foreign work visas for critical skills. Obtaining work visas is important for foreign operators looking to set up delivery centres in South Africa because they need their staff to establish and manage operations in the early years of development. However, South Africa's critical skills list was severely outdated and did not cover

many of the categories needed by foreign operators in South Africa. A GBS Critical Skills Survey was initiated by BPeSA that ultimately led to a refresh of the critical skills list and occupations in high demand that was submitted to the Department of Home Affairs and the Department of Higher Education & Training (DHET) in 2019.

An important aspect of Harambee’s and BPeSA’s approach was to identify and work with others who share the same vision of job growth through GBS to validate the opportunity and increase its credibility.

In 2019, Genesis Analytics convened the [South Africa in the Digital Age \(SADA\)](#) initiative to formulate a forward-looking digital economy jobs strategy for the country. The partnership between Genesis, the Gordon Institute of Business Science, and the Pathways for Prosperity Commission at Oxford University brought international experience together with local credibility. Harambee, BPeSA, and the dtic worked closely with the SADA team to formulate GBS as the main opportunity for South Africa to scale jobs in the digital economy through the existing GBS, ICT, and personal/social service sectors.

A pathway to 500 000 GBS jobs by 2030



Source: developed by Genesis Analytics, BPeSA, Harambee Youth Employment Accelerator and Knowledge Executive, 2019

Collaborating with the SADA initiative was impactful for several reasons. Firstly, the collaboration challenged Harambee, BPeSA and the dtic to double their five-year jobs growth target for 2023 from 50,000 to 100,000. Secondly, it inspired the partners to think more broadly about how GBS jobs could be scaled through related services that can also be delivered digitally, such as digital and ICT outsourcing, virtual tutoring, and long-distance care. This, in turn, led to the formulation of a new 10-year jobs growth target of 500,000, which can be achieved by developing a suite of new services that South Africa can export. This was validated and adopted by BPeSA, the dtic, and industry CEOs in late 2019.

As ecosystems strengthen and expand, they often spill over into new sectors. Frogs leap into new ponds all the time. One of the findings of the SADA initiative was that GBS jobs could scale significantly if South Africa could export a suite of digital and ICT outsourced services, in addition to its current suite of BPO services. Collaboration between the existing GBS sector and the ICT sector was therefore crucial.

There were already apparent synergies between the GBS sector and the IT sector as GBS centres are becoming more digitised and digitally enabled. Technology is often the differentiator, creating a value proposition not by removing jobs but moving them up the value chain. Technology has, in fact, enabled much of the sector's evolution. Given this exogenous shift, working models are being forced to change anyway, and having the ICT sector as a partner allows for greater adaptiveness to these changes.

Most importantly, through BPeSA's new relationships in PPGI, it was possible to open discussions with industry leaders in the ICT sector to find common ground and areas for mutual growth acceleration. At the time that SADA was established, South Africa's ICT sector was largely focused on the domestic economy and the country did not have a strategy in place to export its services to offshore markets. As the GBS industry association, BPeSA had the experience and know-how to make this happen. The GBS and ICT sectors also share many of the same skills supply challenges, particularly as both sectors have to adapt to the growing demand for skills in emerging technologies like AI, cloud computing, and cybersecurity. This partnership will ensure that there can be a full pivot from traditional GBS jobs in digital and ICT outsourcing.

A letter of intent (LOI) has since been signed by BPeSA and the PPGI/ICT leadership team in South Africa, indicating the intention to work towards achieving this goal. With BPeSA's expanding mandate to represent the GBS and ICT sectors, it can bring into its fold a new set of members from the ICT sector. This is a crucial factor for the growth of participation in the GBS sector and for enhancing South Africa's competitiveness. It will also contribute to BPeSA's financial sustainability and its ability to invest in the additional offshore marketing activities needed to establish South Africa as the go-to location for GBS delivery.

Contribution to the economy by 2019⁸



64 853
Industry
headcount



R16.1 billion
(0.32% of total contribution to GDP)
Annual export revenue



R2.53 billion
Annual infrastructure
investment

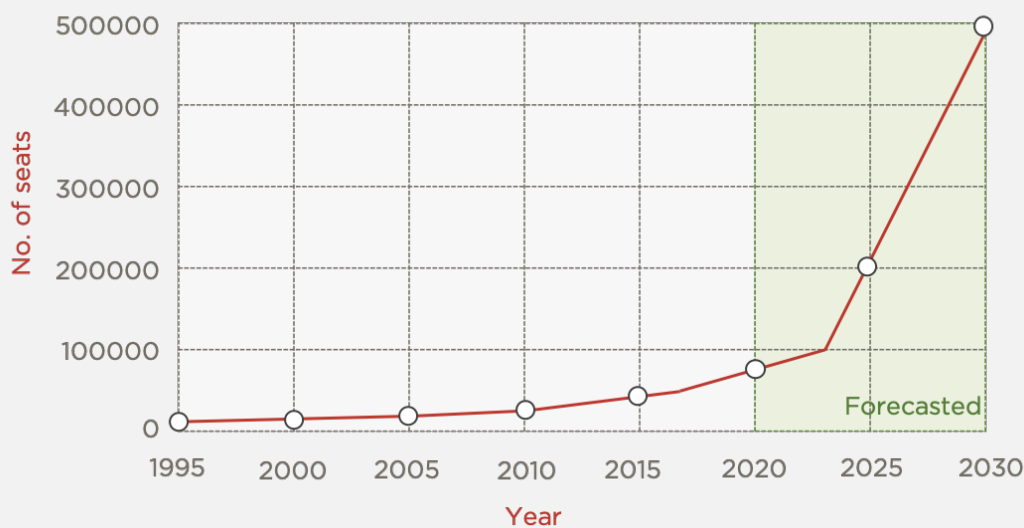
⁸ Source for industry headcount and export revenue: data provided by Knowledge Executive / Genesis GBS; Source for infrastructure investment: data provided by Everest Group (2019) in South Africa's Global Business Services Industry Value Proposition – assumes infrastructure makes up 15% of total operating cost and using the historical USD/ZAR exchange rate of 14.48

CONCLUSION

The story of the GBS industry has been a long one and there have been many ups and down. These have, however, been smoothed out by a growing belief in the market and focused determination. As a result, South Africa was recognised as the second most preferred global offshore BPO destination for three consecutive years in the Ryan Strategic Advisory annual BPO Front Office Omnibus Survey of global contact centre decision-makers and ranked first by the Global Sourcing Association as the most preferred delivery destination for BPO in 2018. Notably, in 2019 the country was also ranked in third and fourth places respectively as a preferred delivery location for legal services and finance & accounting within the Global Finance & Accounting and Legal Services Investment Surveys.

This success is an indication of how large the GBS opportunity in South Africa could be for job creation.

No. of seats in the Global Business Services Sector between 2005 and 2030



In 2014, South Africa accounted for 1% of the global BPO market of \$151 billion (in 2010 prices). It is predicted that the country's market share will increase by 200% by 2030 as the industry makes inroads into the large and lucrative IT outsourcing market.⁹ The way forward for the sector is to create 100,000 jobs by 2023 and 500,000 jobs by 2030. This will not happen automatically. It will require a significant programme of national support that is matched to the size of this opportunity. But it is promising that Harambee, in partnership with the dtic and BPeSA, has established a clear proof of concept and has the right institutional mechanisms to support this scale.

⁹ Source: Deloitte, 2016, BPO Industry Growth in South Africa: Factors at work that inhibit and uplift the telecommunications market. Available on at: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/process-and-operations/ZA_BPO_Industry_growth_300816.pdf

The industry will, of course, continue to weather many storms, the most recent being the sudden impact of the coronavirus pandemic on the economy. An immediately disruptive effect was that the BPeSA roadshow to announce the collaboration with the ICT sector had to be cancelled. Other evolving impacts include the drop-off in global economic activity amid further forecasts of low growth.

There have been positive effects, though. Most notably, BPeSA quickly stepped into the role of supporting government with the implementation of the disaster management regulations by guiding both members and non-members, by establishing industry protocols for health and safety, and by reporting on the status of these interventions to the dtic weekly. Many of the protocols developed by BPeSA were adapted and rolled out to other sectors in the economy. This new role has elevated the organisation's position further within government and has enabled it to build new relationships with companies that were not previously members. In addition to this black swan event, there are still many challenges for the South African GBS sector going forward.

If it is to scale successfully, it needs to address the looming bottleneck in managerial talent. This encompasses junior to mid-level roles that are difficult to fill in terms of both the number and quality of candidates. The reality is that in order to double the size of the market, one needs to dramatically increase the number of managers. This involves training leaders in hard skills, such as Six Sigma, which are quantifiable, measurable, and make the candidate hireable. Soft skills, like people management, are equally as important. If job growth is to stay firm in South Africa, there needs to be continued support for youth to develop workplace confidence and fluency.

South Africa therefore needs to continue to learn from other industry bodies like India's National Association of Software and Service Companies (NASSCOM), and the IT and Business Process Association of the Philippines (IBPAP). NASSCOM is a powerful industry force that has used IT and standardisation as a core enabler of success. In the Philippines, financing and government support have helped to buoy the sector. Here in South Africa, infrastructure, transport, security, and the proximity of labour to work is an ongoing challenge that will need to be addressed if the industry is to scale at any serious level. Another important aspect of resolving skills shortages is resolving work visa challenges. This will allow more foreign investors to be based in South Africa and may assist in solving the middle management leadership crisis.

Finally, international shifts such as the United Kingdom's exit from the European Union need to be tracked. These can serve as huge opportunities for the industry. The US is the next big market to tap into, but it suffers from an enduring misalignment of brand awareness about South Africa and the value it has to offer. Solving these is key to unlocking growth in this market.

In the story documented here, one can see a roadmap for replication in other sectors or markets. What is clear is that the country's economy requires many more ecosystem facilitators if we are to push for scalable solutions that can meet the size of South Africa's unemployment challenge.

We believe it can be done.

G:GENESIS
UNLOCKING VALUE

www.genesis-analytics.com

